

Message Text

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PAGE 01 TORONT 00466 22251Z
ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-02 INR-10
L-03 NSAE-00 NSC-05 PA-02 SP-02 SS-15 USIA-15
AID-05 COME-00 EB-08 FRB-01 TRSE-00 XMB-04
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TO SECSTATE WASHDC 7028
INFO AMEMBASSY OTTAWA
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UNCLAS TORONTO 0466

E.O. 11652: N/A
TAGS: PGOV, EINV, SOPN, CA
SUBJ: ONTARIO PREMIER CALLS ON PRIME MINISTER TRUDEAU
TO FOLLOW THROUGH ON FIRST MINISTERS' AGREEMENTS:
AUTOPACT MENTIONED

1. ONTARIO PREMIER DAVIS HAS SENT PRIME MINISTER TRUDEAU A SIX PAGE LETTER CALLING ON THE FEDERAL GOVERNMENT TO FOLLOW THROUGH ON AGREEMENTS TO REINVIGORATE THE SLUGGISH CANADIAN ECONOMY REACHED AT THE FIRST MINISTERS CONFERENCE IN OTTAWA IN FEBRUARY.

2. DAVIS WANTS TRUDEAU TO DO SOMETHING ABOUT A BUY-CANADIAN PROGRAM, NEW TAX INCENTIVES TO EXPAND RESEARCH AND DEVELOPMENT, THE REDIRECTION OF UNEMPLOYMENT INSURANCE BENEFITS TO CREATE WORK AND GREATER FEDERAL ACTIVISM ON THE U.S. - CANADA AUTO-PACT. HE SUPPORTS THE BAY OF FUNDY POWER STUDY AND HOPES "WORK WILL PROCEED AS SOON AS POSSIBLE ON THE ALCAN PIPE-LINE."

3. REGARDING THE AUTOPACT, DAVIS TOLD TRUDEAU THAT HE WAS WORRIED ABOUT THE ESCALATING WAR BETWEEN VARIOUS U.S.
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STATES TO ATTRACT AUTOMOBILE-RELATED PLANTS THROUGH MAJOR TAX EXEMPTIONS AND INTEREST FREE LOANS. HE WROTE:
"I AM CONCERNED AT THE SLOW PROGRESS YOU, AND WE, SEEM TO BE MAKING WITH THE MAJOR AUTOMOBILE COMPANIES IN GAINING A FAIR SHARE OF JOBS AND INVESTMENTS IN CANADA. IT APPEARS THAT CANADIANS ARE BEING ASKED TO PROVIDE SUBSIDIES AND SPECIAL FINANCIAL ASSISTANCE FOR THIS

INDUSTRY. I WOULD SUGGEST THAT THE POINT HAS TO BE MADE THAT WE EXPECT A FAIR DEAL, NOT AN AUCTION-BLOCK DEAL IN WHICH THE HIGHEST BIDDER WINS. I AM MOST CONCERNED WHEN THE SPIRIT OF THE AUTO PACT IS BEING ERODED BY THE USE OF UNFAIR COST COMPARISONS WITH FIRE-SALE TAX DEALS AND CAPITAL GRANTS OFFERED TO MANY STATES IN THE U.S. MY VIEW IS QUITE CLEAR ON THIS MATTER; THIS IS A CANADIAN MARKET, THE FEDERAL GOVERNMENT MADE A PACT WITH THE COMPANIES AND THE U.S. GOVERNMENT, THE COMPANIES HAVE RECEIVED MILLIONS OF DOLLARS IN REBATES ON IMPORT DUTIES AS PART OF THAT ARRANGEMENT, AND WE EXPECT THAT IN RETURN FOR THEIR DOMINANT SHARE OF SALES IN OUR MARKET, WE HAVE A FAIR SHARE OF THE INVESTMENT AND JOBS IN THE NORTH AMERICAN INDUSTRY."

4. DAVIS ILLUSTRATED HOW THE DECISIONS OF THE FIRST MINISTERS' CONFERENCE PLAYED A PART IN "FRAMING" THE RECENT ONTARIO BUDGET. HE CONCLUDED: "NONE OF US DISAGREES THAT THE ECONOMIC ISSUES WE FACE ARE THE NUMBER ONE PRIORITY FOR US TO TACKLE. NOTHING ELSE WILL BE RESOLVED IF THIS AREA IS NEGLECTED. MY URGENT REQUEST TO YOU IS, THEREFORE, THAT WE MAINTAIN THE MOMENTUM ESTABLISHED BY THE CONFERENCE OF FIRST MINISTERS, AND PROCEED IN A QUICK, DIRECT, NON-BUREAUCRATIC WAY TO ADOPT SPECIFIC NATIONAL ACTIONS, UNDER FEDERAL LEADERSHIP, TO MOVE THE ECONOMY FORWARD."
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5. ALL THREE TORONTO NEWSPAPERS AND THE ELECTRONIC MEDIA CARRIED DAVIS' MESSAGE. THE MARCH 22 TORONTO STAR CARRIED STORY ON THE FRONT PAGE HEADLINED "DAVIS SAYS U.S. ERODING SPIRIT OF AUTOPACT".

6. COPIES OF DAVIS' MESSAGE ARE BEING POUCHED TO ADDRESSEES.
DIGGINS

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Message Attributes

Automatic Decaptioning: X
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AUTOPACT MENTIONED
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